

109TH CONGRESS
1ST SESSION

H. R. 721

To amend the Federal Crop Insurance Act to require the Federal Crop Insurance Corporation to offer farmers supplemental crop insurance based on an area yield and loss plan of insurance, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 2005

Mr. NEUGEBAUER introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Crop Insurance Act to require the Federal Crop Insurance Corporation to offer farmers supplemental crop insurance based on an area yield and loss plan of insurance, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. REQUIREMENT TO OFFER FARMERS SUPPLE-**
4 **MENTAL CROP INSURANCE BASED ON AN**
5 **AREA YIELD AND LOSS PLAN OF INSURANCE.**

6 (a) IN GENERAL.—Section 508(c) of the Federal
7 Crop Insurance Act (7 U.S.C. 1508(c)) is amended by
8 adding at the end the following new paragraph:

1 “(11) SUPPLEMENTAL AREA COVERAGE.—

2 “(A) AUTHORITY TO OFFER COVERAGE.—

3 Notwithstanding paragraph (4), if area cov-
4 erage is available in an area (as determined by
5 the Corporation under paragraph (3)), the Cor-
6 poration may provide producers in that area de-
7 scribed in subparagraph (B) with the option to
8 purchase supplemental insurance coverage
9 based on an area yield and loss plan of insur-
10 ance.

11 “(B) ELIGIBLE PRODUCERS.—To be eligi-
12 ble to obtain supplemental coverage under this
13 paragraph, a producer must purchase either an
14 individual yield and loss plan of insurance or a
15 revenue plan of insurance that includes cov-
16 erage for a loss in yield at an additional cov-
17 erage level for the same crop to be covered by
18 the supplemental coverage.

19 “(C) LIMITATION.—In providing supple-
20 mental coverage to a producer under this para-
21 graph, the sum of the following shall not exceed
22 100 percent:

23 “(i) The coverage level expressed in
24 percentage terms for the individual yield
25 and loss plan of insurance or the revenue

1 plan of insurance that includes coverage
2 for a loss in yield that is purchased by the
3 producer for the same crop covered by the
4 supplemental coverage, as required by sub-
5 paragraph (B).

6 “(ii) The share expressed in percent-
7 age terms of the area yield and loss plan
8 of insurance (at whatever coverage level is
9 selected) that is used to determine the level
10 of supplemental insurance coverage pro-
11 vided the producer under this paragraph.

12 “(D) PAYMENT OF PORTION OF PRE-
13 MIUM.—As provided in subsection (e), the Cor-
14 poration shall pay a portion of the premium
15 under a supplemental area yield and loss plan
16 of insurance provided under this paragraph and
17 the associated individual area yield and loss
18 plan of insurance or revenue plan of insurance
19 that includes coverage for a loss in yield.

20 “(E) AMOUNT OF INDEMNITY PAID UNDER
21 SUPPLEMENTAL COVERAGE.—The indemnity
22 payable under supplemental coverage provided
23 under this paragraph shall be calculated as—

24 “(i) the total indemnity for an area
25 yield and loss plan of insurance at the cov-

1 erage level chosen by the producer; multi-
2 plied by

3 “(ii) the share of the coverage of the
4 area yield and loss plan of insurance se-
5 lected by the producer.

6 “(F) SPECIAL RULE RELATING TO QUALI-
7 FYING LOSSES.—In the case of a qualifying loss
8 in an area (as determined by the Corporation)
9 under a supplemental area yield and loss plan
10 of insurance, subject to the applicable coverage
11 limits, the total amount of the indemnity shall
12 be available to the producer regardless of the
13 loss incurred under the individual yield and loss
14 plan of insurance or the revenue plan of insur-
15 ance that includes coverage for a loss in yield
16 of the producer.

17 “(G) REINSURANCE YEAR.—Subject to
18 availability of area coverage for the insurable
19 crop in the area (as determined by the Corpora-
20 tion), the supplemental plan of insurance de-
21 scribed in this paragraph shall be made avail-
22 able by the Corporation not later than the 2006
23 reinsurance year.”.

1 (b) CONFORMING AMENDMENTS.—Section 508(d)(2)
2 of the Federal Crop Insurance Act (7 U.S.C. 1508(d)(2))
3 is amended—

4 (1) by striking “additional coverage” in the
5 matter preceding subparagraph (A) and inserting
6 “additional and supplemental coverages”; and

7 (2) by adding at the end the following new sub-
8 paragraph:

9 “(C) In the case of supplemental area cov-
10 erage provided under subsection (c)(11) that, in
11 combination with either the individual yield and
12 loss coverage, or a comparable coverage for a
13 policy or plan of insurance that is not based on
14 individual yield and does not insure more than
15 100 percent of the recorded or appraised aver-
16 age yield indemnified at not greater than 100
17 percent of the expected market price, the
18 amount of the premium shall—

19 “(i) be sufficient to cover anticipated
20 losses and a reasonable reserve; and

21 “(ii) include an amount for operating
22 and administrative expenses, as determined
23 by the Corporation, on an industry-wide

- 1 basis as a percentage of the amount of the
- 2 premium used to define loss ratio.”.

